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2 A If Samuel Israel proceeded to invest
3 his funds or enter some program that he found --
4 the investment opportunity that he found to be
5 lucrative, I guess you would say, my protection
6 from him came from a beneficial stewardship
7 agreement that was an HCF agreement, not Samuel
8 Israel.

9 Q I don't understand what you mean by
10 your protection from him, protection from what?

11 A I mean, commission or compensation.

12 Q So Israel would pay you a commission
13 sometimes?

14 A He never paid me a commission, but
15 if he would have been obliged to pay me a
16 commission should he have proceeded with an HCF
17 relationship at Barclay or Postbank.

18 Q What would he have been paying you a
19 commission for?

20 A Because I had introduced him to
21 Steven Hickock at his request. He said, I will
22 pay you a commission of -- I believe it was
23 five percent of the profits I make from this
24 relationship should I deem it or should I decide
25 that this is something that would be in my best

Nichols

interest.

MR. BAINTON: Jeff, excuse me for interrupting, but these documents, the witness is talking about discrete documents that we have produced. I don't know if you are aware of that or not, but there are writing, when he is talking about an agreement, he is talking about a writing and we have produced it. I just interrupted to let you know that if you didn't already.

Q Let's go back to the treasury box project. What did you first do to acquire the treasury box after you were retained by Israel?

MR. BAINTON: Objection.

You can answer.

Q Withdrawn. Just to be clear, were you retained by Israel to acquire the treasury box?

A It was one of four things he retained me for.

Q Okay. Did you make efforts to accomplish those four things?

Nichols

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2 A Yes, I did. I complied. I
3 accomplished all four things.

4 Q What was the first effort you made
5 to accomplish those four things?

6 A I met with Wilhelm Teekman, a party
7 in Germany, that represented or had access and was
8 retained by the chinese government, I will say, or
9 quasi-government to see if he would allow me
10 access to the security vaults in Switzerland to
11 the currency and would be receptive to
12 negotiations for settlement with the correct U.S.
13 government officials on that currency or on those
14 notes.

15 Q How did you know that there was
16 something in a currency vault in Switzerland?

17 A How did I know? I knew from various
18 parties, bankers and other individuals I had known
19 for quite some time.

20 Q Who?

21 A I'm trying to think sequentially as
22 to how I remembered it -- I mean, who mentioned it
23 first. It would have been -- I believe the first
24 party that mentioned it to me that they were held
25 in Switzerland and they were legitimate was a man

Nichols

named Herbert Bost.

Q Who is Herbert Bost?

A I believe he was navel intelligence, U.S., retired.

Q When did Herbert Bost tell you this?

A Probably two or three years before, maybe five years before. I can't be sure as to the date he told me.

Q Why did he tell you that?

A He at the time felt that if certain things could be -- those instruments could be negotiated and those funds could be used for efforts that would be in the national interest and he outlined one or two things that he was -- objectives he was undertaking or efforts he was involved in with the Congo, a president in Nigeria that was non-military, those were the efforts.

Q So your understanding was Herbert Bost was going to try to sell the currency that was in the vault in Switzerland and then use the money he got from that to fund efforts in the Congo; is that right?

A No.

Q Could you explain, then, what

Nichols

Herbert Bost told you --

A You asked me where I heard about the notes and I said Herbert Bost. And then I said he had particular objectives that he wanted to pursue, if that could be accomplished. Those were two that I knew he was working on if they were related I don't know, those notes, to that.

Q Oh, I had asked you why he had told you that. Do you know why he told you about these treasury boxes in Switzerland?

A He asked me if I had an approach that I thought may work to -- you know, to work this out with certain parties in government and he wanted me to use avenues through Switzerland that had relationships with the United States in the more -- in more trusted areas or confidential areas of communication, I guess.

Q And what did you tell him?

A I told him I did not want to be involved in it at the time.

Q Why not?

A Because I didn't.

Q Why didn't you want to?

A I believe I was involved in

Nichols

something else that was more important that was coming up at the time.

Q What were you involved in that was more important?

A Rick Mangeri.

Q Could you expand on that?

A Rick Mangeri, I was advised, had removed on the key over \$892 billion from the United States department of defense funds and they wanted to recover it.

Q Did you say \$892 billion?

A Something about like that.

Q And you were retained to deal with that?

A Yes.

Q Did you deal with it?

A I spent over a year and a half with Mr. Mangeri trying to recoup the funds.

Q And did you recoup them?

A I don't know how much I recouped, if any. He -- that was not what I was tasked to do. I was tasked to sit with Mangeri, discuss it with Mangeri, see if it could be worked out.

There was an NSA agent named

Nichols

1 Margaret Laughlin that I mentioned before. She
2 told me if I could work it out, she would
3 compensate me \$1 million. And I did my best to
4 work out something with him on it because he had
5 transferred it to multiple locations under the
6 name of Euro Capital all over the world. And I
7 had access to the list, the locations in the
8 accounts which were given to me and the NSA, I was
9 told. I don't have access to their database at
10 Mead, but I was told, wanted it recovered under
11 the title of Euro Capital.
12

13 Q But you don't know whether any of
14 the \$892 billion was recovered?

15 A When I said 892, I mean it was
16 890-something, the figure I was given. Might have
17 been a little more, but it was significant. And
18 the funds were to be used for projects were
19 important to U.S. -- United States.

20 Q Were you ever paid by Margaret
21 Laughlin?

22 A I was paid funds by Margaret
23 Laughlin to continue the effort.

24 Q How much were you paid by Margaret
25 Laughlin?

Nichols

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A I don't know.

Q Was it more than a hundred thousand dollars?

A It could have been. It was --

Q You mentioned she was going to pay you a million dollars if you could successfully obtain this money; is that correct?

A That's correct. And she put that in writing.

Q Oh, do you have that writing?

A No, I don't.

Q What did you do with it?

A It's in a file probably in Europe. When I run across it, I will forward it to you, but she did put it in writing.

Q Do you happen to have in your possession any writings that anybody associated with government intelligence has ever written you at any point during your life?

A In my possession?

Q Yes.

A No.

Q How about in your custody?

A No.

Nichols

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Q In your control?

A I am unable to answer that. I would have to speak with people and they know I'm in this situation and I don't know what -- what their response would be for my request for documents for files, so I am unable to answer the question.

Q Where are the files located?

A Various locations, Switzerland, Austria.

Q Anywhere else?

A Probably Vietnam, Monaco, France. That's all I can think of at the moment.

Q Where in Vietnam do you have files located?

MR. BAINTON: Objection.

A There are parties in Vietnam that I know that I consider friends that have files that they hold for me. I don't know what the files consist of. I'd have to go and look through them and the location would be Dudok or Saigon somewhere, maybe Metow, I don't know.

Q Do you personally have files in any other locations that you mentioned?

A When you say me personally, meaning

Nichols

do I have ownership of them or am I referenced in them or do I have access in them or do they reference this business? I don't understand specifically what you mean.

Q Just to be clear, are there files that are in your direct control in any of these locations that contain documents that you received from what you understood to be government intelligence?

A Direct control, no.

Q Are they all in the control of other people?

A That's correct.

Q Is it fair to say you personally haven't retained any documents that were given to you by government intelligence at any point during your life?

A Personally am I holding these documents? The answer to my knowledge is no. Personally am I holding documents? Are there files? Extensive ones, but I am not holding them.

Q Are any of these files located on any of your residences?

A No.

Nichols

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Q Any of the properties in Australia that you own?

A No.

Q When did you meet for the first time with Wilhelm Teekman?

A I can't be sure when I first met him. I had spoken to him several times and I believe I met him probably in 2003, but I met several people at the time that were surrounding the same type of business and I forget their names.

Q When did you first meet with him in connection with the treasury box project?

A The following day after meeting Sam Israel he flew from Germany and met me in London.

Q How did you contact him?

A The telephone.

Q How did you have his number?

A I believe I had asked someone for the number that knew -- knew how to reach him, someone I knew, but I don't recall who that was. I would have to think about it.

Q When had you asked that person for Teekman's phone number?

Nichols

A I believe when Sam Israel asked me if I could locate the Swiss vaults that held this currency.

Q So Israel knew that the currency was in Swiss vaults?

A Yes, he knew -- he didn't know -- he didn't know it was in Switzerland. He knew that it was held somewhere in Europe and I don't believe he knew it was in Switzerland.

Q How long did you meet with Teekman that first time after you met with Israel?

A How long did I meet with him?

Q Yes.

A I'm gonna have to estimate this. I can't say something like 53 minutes and four seconds. I have to say approximately an hour, hour and a half, something like that. When you say how long, I can't just help you understand that.

Q Just answer to the best of your recollection.

A Right. Well, I'd say probably an hour, hour and a half.

Q Did you learn anything during that

Nichols

conversation about the location of the treasury box?

A I was asked if this was a serious situation.

Teekman said that he would clear me to go into the vaults and look at the currency.

Q What did you tell him?

A That wasn't the box. This is the currency.

Q "This is the currency." When you say "the currency," are you referring to the silver certificates?

A That's correct and Federal Reserve notes also, but mainly the silver certificates, I believe. Both of them are in two -- you know, in the same facility.

Q Both silver certificates and the Federal Reserve notes?

A This particular -- this particular group of -- that we're referring to are in one facility, yes.

Q Did Teekman tell you the value, the face value, of the Federal Reserve notes?

A Yes, he did.

Nichols

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Q What was the face value?

A One million dollars.

Q And that's per note?

A Per note.

Q What kind of notes were those?

A They were silver certificates. You have a copy of them, I believe, the ones I gave -- the copies I gave Israel and the Federal Reserve notes, you have a copy of that. And then there is a very large history and all that they would not provide until they met with the correct U.S. government officials to speak. In other words, the heritage.

Q When Teekman asked you whether this was serious, how did you respond?

A I said, I am just looking into it. I'm told it is, but I under -- no way would underwrite to tell you it. I will ask you or come back to you at a later date, if I feel it's serious.

Q And did you go back to him?

A After the New York trip.

Q After the meeting with Teekman, what was the next step you took towards accomplishing

Nichols

1 the -- I guess the treasury instrument project
2 that had the four components you laid out before?

3 A When I finished speaking with
4 Teekman, Teekman said, if you feel this is
5 serious, his firm, law firm said that they would
6 like me to -- I said I'd contact him through the
7 firm and that we would meet and set up a meeting
8 with the correct U.S. officials and obtain clear
9 answers for them to come into Switzerland and to
10 view the currency.
11

12 So your question was, what was the
13 next step or whatever. That was the next step.
14 So I said, I will let you know what I think about
15 this after I travel.

16 Q You mentioned Teekman had a company
17 that he worked for. What was the name of the
18 company?

19 A I said that he had a law firm that
20 represented him.

21 Q Oh, did he work for a company?

22 A I didn't ask and don't know the
23 answer to that.

24 Q What made you think that he knew
25 anything about the Swiss vaults?

Nichols

A I do not remember who briefed me on it, but someone told me that he did. The Chinese trusted him. He was at one time very helpful to them with Volkswagen. I believe he was connected, you know, in efforts inside China and that they had trusted him to handle this business for them in Switzerland is one aspect of their business.

Q But you don't remember who told you that?

A Not at this moment.

Q Did you make any agreement with Teekman during that first meeting, sign any papers?

A No.

Q Receive any papers?

A The only paper I received from him was a general history, two or three-page which was a translation from some Chinese -- Chinese explanation of the history, but it was described to me as only being the embryonic or genesis of a very in-depth heritage.

Q And this is a history of the silver certificate and Federal Reserve notes?

A That's correct.

Nichols

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Q Have you given that to your counsel
to produce to us, that two to three-page history?

A I don't believe so.

Q Do you know where it is?

A It's in Europe, I believe.

Q Do you know where in Europe?

A Not off -- not specifically do not
know.

Q Can you narrow it down to a country?

A I would say it's in Switzerland or
London.

Q Who has it; if you know?

A I would imagine the law firm that
represents Teekman.

Q You said that Teekman gave it to
you, correct?

A Right.

Q Did you give it back to Teekman?

A I'm saying that because that's where
you could obtain it, if you want to pursue it.
I'm saying the one that he gave me, I can't say
it's in any other location, in probably
Switzerland, possibly London. It's a -- and I
might have -- it wasn't important to me the

Nichols

document, so the whole heritage, the whole history is important to me, but a three-page synopsis was not important to me, so I do not know where I put it, to be honest with you. I would say in London somewhere, possibly in Zurich.

Q Did you ever get the whole history?

A I had access to it. I didn't want to travel with them.

Q Did you obtain it?

A No.

Q If it was important to you and you had access to it, why didn't you obtain it?

A Because I consider it sensitive and I do not want to travel with that type of document, that type of material.

Q Sensitive to whom?

A I would say I imagine it would be sensitive in my own personal view to the United States government, if there is something to it.

Q Why would it be sensitive to the United States government?

A Well, it's my understanding that the United States says that they have never printed a bill over \$10,000 -- you know, denomination of

Nichols

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2 over \$10,000. I've had two experts tell me, one
3 named Michael Cleverly of Amarok Security, his
4 experts tell me that the currency was legitimate,
5 including the fibers, the ink and the paper. And
6 then I go to the -- one other party that saw one
7 of the bills, the bill that we called an etching
8 that I provided Sam Israel, and that was Ingo
9 Passoth at Postbank and Sam Israel gave him that
10 bill and he verified it as authentic U.S.
11 currency.

12 Q You gave Israel one of these \$100
13 million notes?

14 A I called it an etching. He asked
15 for it and I gave it to him. Came from Teekman.

16 Q Was it an actual note?

17 A It was an actual note.

18 Q And it was your understanding it was
19 worth a million dollars?

20 A No, I never said what it was worth.
21 I said this to me is an etching. Here it is.
22 This is what you asked for.

23 Q An etching?

24 A I don't call it currency because I
25 don't know. I said it's an etching. Those were

Nichols

the words and those were the words that were on the documents. And I call it -- it's just my word for it.

Then he had -- he had the bank tell him it was currency. Then he had -- then Amarok Security had their expert, which I do not know who it was, come back and say it is currency, but I did not call it currency because that was not my position. I called it an etching.

Q Did you believe it was currency?

A Personally?

Q Yeah.

A Yes. The silver certificates, yes.

Q When you say "silver certificates," are you referring to the \$1 million denominated bills?

A Correct.

Q When did you obtain -- just to be clear, when you say "etching," you are not referring to like a photocopy or --

A No.

Q You're referring to the actual -- in your mind at that time original currency, you weren't sure whether it was currency, but you

Nichols

government was saying that the box wasn't legitimate and that the bonds weren't legitimate; is that correct?

A I knew that the United States government said they did not print currency over \$10,000, a note or, you know, denomination over \$10,000. I told that to Samuel Israel. I told him that the United States government says there is nothing to this. Therefore, I am saying I can not in any way state there is any value to this, one dollar, I said, period, to me.

He said, this is not your affair. I want the box. I want photocopies of the currency and if you could get me one bill, that's what I want.

Q And how did you first obtain the bill?

A Wilhelm Teekman brought it, took it out of the security vault in Switzerland and brought it to me and said, here is your etching.

Q You mentioned that you had a meeting with Teekman the day after you first met with Israel and then you just mentioned seeing Teekman again, I guess, near the Swiss vaults; is that

Nichols

correct?

A I didn't go. I said I was asked to go and I did not go. I was asked if I wanted to go to the vaults and look at all the material in the vaults. I said no.

Q So what was the next step that you took in the treasury instrument project with the four components after you first met with Teekman?

A I said to Samuel Israel when he offered me the ten to accomplish this -- the things that we had previously discussed, the four things that I would not consider it unless I met John Ellis because I explained to him I had been told repeatedly many times by various people that these matters could only be handled at the highest level of government, not anywhere because there are clear answers involved and these clear answers it must be above the things that he would normally walk into.

And so he said to me that John Ellis had that particular relationship and he would introduce him to me so that they could proceed, but I was not to mention to John Ellis the money he was paying and that John Ellis and he would

Nichols

proceed on this business. That's -- that's it.

Q You said that you told him you wouldn't proceed unless you spoke to John Ellis. Did you know the name John Ellis at that time?

A When he said John Ellis, the cousin of the President of the United States, I knew the name, but that's the first time that I gave it any thought. I knew his name was John Ellis from, you know, the election in Florida or something but, I mean, I had no knowledge -- nothing else about him. I had no information with him other than that.

Q So when you had the conversation with Israel about Ellis he was the first person to mention Ellis's name?

A Oh, absolutely. You mean, in London when I met Israel?

Q Yes.

A Of course. I didn't know he knew Ellis. As I said, Ellis I knew from, you know, Michael Moore movie, story or something. I didn't know Israel had anything to do with him.

Q So what was the next step that you took in the treasury instrument project after he

Nichols

mentioned that he knew somebody named Ellis?

A As I said, I told him I would want to see Ellis before I would except the -- you know, proceed with the agreement or entertain the agreement or take any money for the agreement, I wanted to see Ellis.

And he said, it will -- you know, in a month or two come to my home and you will see him and you can speak to him on the phone right now.

And I said there is no sense in me speaking to him, but I would like to see the man for myself.

And he said, fine, no problem.

Q And did you later see John Ellis?

A Yes. I said I wanted to work out the agreement, very general. He said that the agreement, financial consulting agreement, beforehand because I don't want something to change when we get to New York. If you want me to meet Ellis, I don't want there to be a misunderstanding of what we've discussed.

And he said, fine.

And so then we -- a couple of months

Nichols

or a month went by or something, I went to New York with my wife and within a few days he introduced me to John Ellis in his home.

Q In between that conversation and your meeting with John Ellis, did you work at all on the treasury instrument project?

A Oh, I wanted to see if I could -- I talked with Teekman several times and I said if the right parties from the U.S. government are involved, can we clear them into the vaults meaning you -- can you -- do you have full authority to negotiate redemption of these and settlement on these notes and I went through all that and he said, absolutely.

Q Other than that did you do anything in between the time that you initially met with Israel and the time when you met in person with Ellis?

A I also spoke multiple times or quite a few times with the Chinese and I told them that I was looking into the possibility of having their matter revolved one way or the other. I said, you asked me if it could be -- if it was possible to get this particular box or obligation as a

Nichols

demonstration of your good faith to a high level in government and there is that possibility now. And I didn't mention it was John Ellis and I didn't mention that. I just said there is a possibility now and I will keep you informed and move ahead with that. And that's what I did because they want to settle multiple things.

Q Who is "they"? When you say spoke with the Chinese, "they," who are they?

A The Maiwah family which are the lineage and the offspring of Chiang Kai-shek. Their position is in Luxembourg in Europe and it's called Mayflower and they are a prominent, prominent entity.

Q The family is a prominent entity?

A Yes. To me it would be just my personal feeling highly unlikely that they would build a little fake box that says a hundred million dollars on it. That's just a personal thing.

Q Who would you speak with -- you said you spoke with the Chinese and the members of the Mahoo family --

A Maiwah.

Nichols

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Q -- Maiwah family. What are the names of the people with whom you spoke?

A Can't pronounce them. I'd have to look them up.

Q Are there any documents --

A Tansri Teong was one of them. Wei was another one. I only know portions of names because I just called them short names.

Q You would call them Wai?

A Wei.

Q W-a-i?

A Yeah, W-e-i.

Q Is that the first or last name?

A And there were military -- couple of military people with them, Chinese military, when I met with them. I forget their names.

Q How did you get the phone numbers of these people?

A That's what I do. I called someone who provided the number for me.

Q Who did you call?

A Someone in Switzerland and I can't recall who that was right now. I will work on that also because it was just something at the

Nichols

time I was trying to work out, so I will -- I will certainly work on it for you, though.

Q So you called someone in Switzerland and they gave you the phone number of someone in the Maiwah family; is that correct?

A It would be in Switzerland, yes, and they would give them Maiwah. Also Tansri Teong, the man I also mentioned before, with contacts with that family.

Q Was Tansri Teong in that family?

A He is not a part of the family, but he is a person, a liaison officer, a person who facilitates objectives for them.

Q How did you get his phone number?

A How did I get his phone number? I think it went back -- if I go back to probably during the Mangeri time and if I went back before that it would probably be another matter somewhere in Taiwan, or Vietnam or Asia that I was involved in. I knew his name for quite some time, so I can't say specifically at which time I got his number, but it would be something related to something in the past in dealing with --

Q How far in the past?

Nichols

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A . Maybe ten years, maybe five.

Q Five years before what?

A Before Israel.

Q How did you have dealings with him
five years before Israel?

A I don't know if I had dealings with
him. I think I had met him and spoken with him.

Q In what context did you meet him?

A Possibly a dinner.

Q Why did you meet him at dinner?

A Maybe I was hungry. I don't know
how to respond to that. We both wanted dinner at
the same time and had something at the time that
was of common interest.

Q What was of common interest?

A We both smoke.

Q So he is somebody who you just
happened to bump into in a restaurant somewhere
because you smoked?

A No. He was someone introduced to
me.

Q Who introduced you to him?

A I can't be sure. If I were to
guess, though -- would you like me to guess?

Nichols

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Q Just give me your best recollection
if you do recall --

A Well, it's a guess.

Q You don't recall who introduced you
to him?

A I would say if I were to guess it
was a judge in Singapore that was a friend of his
and I met a couple of times, but that is a guess.
I can only think the possibility two of us at the
same time and were in the same area and we both
wanted to eat.

Q So once you received the phone
number of people in the Maiwah family, who was the
first person you called in the Maiwah family?

A The first party that I called that
represented them was Angelina Wei.

Q And what did you say to Angelina
Wei?

A I said there is a possibility of
having your objective investigated at the right
level.

Q Did she have any idea what you meant
by that?

A I couldn't hear you.

Nichols

Q Did she have any idea what you meant by that?

A Yes, she did.

Q How did she know what you were talking about?

A Because she wanted to resolve or see if it could be revolved the matter of these treasury notes and she asked me to fly to Taiwan and meet with the main members of the family. And I said, I don't feel that's appropriate at this time until -- until we see the response from the parties I'm dealing with. I'm referring to Mr. Israel and Mr. Ellis because Mr. Ellis could have easily said, this is nonsense, so why go any further with it.

Q Did you have any further contact with the Maiwah family before you met with Mr. Ellis other than the conversation you just mentioned?

A Through other parties, not directly I've had other parties, couriers and things of this nature contact me and ask me, you know, how I'm doing, what's taking place and things of that nature. I don't know their names.

Nichols

Q That was during the period between you being first retained by Israel and first meeting with John Ellis?

MR. BAINTON: Objection.

A Between first meeting with Israel and first meeting -- there was -- I didn't speak to them during that period.

Q So during that period in between where you first met with Israel and you first met with John Ellis did you have any conversation direct or indirect with Maiwah family other than speaking to Angelina Wei?

A I don't believe I did, but I can't be absolutely certain. I mean, a phone call could have taken place. They could have called, I could have called, but I don't recall anything during that period.

Q Could you describe your meeting with John Ellis?

MR. BAINTON: Which one?

MR. ALBERTS: Sure, I'll be more specific.

Q The first time that you met John Ellis in person, where did you meet him?

Nichols

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A I met him at Sam Israel's house.

Q When was that?

A In his -- I mean, the adjoining part
of his house.

Q When was that?

A 6/9/2004, or approximately that day.

Q Why do you remember that date
specifically?

A I can't tell you that.

Q What happened at the meeting? Did
you learn anything? Let me rephrase the question.

Did John Ellis tell you anything
that related to your treasury instrument project
during that meeting on 6/9/2004?

A It was discussed. It was discussed.
Did he tell me anything? It was discussed. I
don't know -- I don't understand your question,
did he tell me anything. Could you rephrase it or
something?

Q I'm not sure I can. Did he tell you
anything that related to your treasury instrument
project?

A I think the word tell is my problem.
Did he comment on it would be -- can we say that?

Nichols

Did he comment on the project?

Q That's a different question but, sure, what's the answer to that question, yes?

A He commented on it, yes.

Q What comments did he make?

A That he would like to take some material and investigate it, and I provided it to him.

Q What material did you give him?

A At Sam Israel's direction, I gave him a three-and-a-half inch floppy that had to -- well, I believe it had photographs of the silver certificate, possibly an FR -- a Federal Reserve note. It had a picture that the Chinese had given me of a team of -- that they said were treasury agents that had flown to China to try and negotiate this business, and I don't know what else. Possibly -- I don't think there was anything about the box on it. I think it was mainly the currency and maybe, maybe the box, I don't know, but he took this with him.

We discussed the box, we discussed that, and he had made -- and we discussed a little bit about Pakistan and what his cousin was going

Nichols

through with problems with Pakistan. And I said, you know, if I could assist you on that or something, let me know. That's all.

Q Where had you acquired the photos that you gave to John Ellis?

A From the Chinese, Angelina Wei, and they said that these people were treasury or whatever that came to discuss the box with them, to negotiate a settlement on it.

Q And when did Angelina Wei give you these documents?

MR. BAINTON: It was a disk.

Q When did she give you the disk containing documents?

A Probably a year -- six months before, something like that, before I had ever met Sam Israel.

Q Why had she sent it to you before you met Sam Israel?

A She gave it to me in person or he -- it could have been Teong or her that handed it to me or one of the military people. I don't know, but I left with the documents -- I mean, the photograph.

Nichols

Q And it was just coincidence that you had been given the CD before you met Sam Israel who asked you to try to find the very documents that were on the CD?

A I don't really believe in coincidence, but it seems that it was strange, strange -- it was very strange to me that he brought up this particular, you know topic, that I was familiar with.

Q Did you learn anything else from John Ellis that related to your treasury instrument project at that meeting on 6/9/2004?

A Learn? I didn't learn anything from John Ellis at the time.

Q Did you hear anything from John Ellis at that time that related to your treasury instrument project other than what we have already discussed?

A Did I hear something that I didn't already know? Is that the question?

Q No.

A Or did I just hear him talk about it?

MR. BAINTON: The question is,

Nichols

what did you hear him say? That's the question. What did you hear him say?

THE WITNESS: Oh, okay.

A He said that he was going to look into it with, you know, the proper authorities and he referenced a relationship, I believe, at the DOD, someone in the Defense Department, that was authorized to deal in this particular area or become involved or negotiate this particular area.

Now, I could be incorrect on that he might have said that in the second meeting, but he said it in one of the two.

Q Who at the DOD?

A Who is the DOD?

Q No, who at the DOD did he mention?

A He just said a colonel. He just said a colonel that was authorized for this particular type of business.

Q The type of business being --

A Meaning negotiate the settlement of these particular instruments.

Q When you spoke to him, did he appear to know anything already about the existence of instruments like this?

Nichols

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A Yes.

Q What made you think that?

A He talked a little bit. He didn't just listen. Sam Israel did most of the talking, I made a comment or two. John Ellis made a comment or two. It didn't seem to me, just my opinion, that he had never heard of this before. He didn't ask what are we talking about, something of that nature.

Q Did he expressly say anything that indicated that he had heard of these kind of monetary instruments before?

A If it wasn't that meeting, as I just mentioned, it was a second one when he said that he had the person that would handle this was a -- I believe he said a colonel in the Defense Department.

Q Did he say anything else that suggested to you that he knew of this kind of financial instrument?

A I want you to clearly understand my confusion here. I don't know if -- he did, but I don't know if he said it the first time we met, the second time we met, the third time we met.

Nichols

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2 The second time we met, he talked about it quite a
3 bit, but he could have commented the first time we
4 met on it and I can't be certain if he -- which
5 time that he went into it.

6 Q Well, then, let's talk about the
7 second meeting. When did that take place?

8 A I don't know the date of that. It
9 was probably 20 -- it was quite a while, like
10 several weeks later. He had told Sam Israel that
11 he was doing some checking on it and coordinating
12 something or looking into it, but all he said to
13 me is I will -- I will discuss this with the
14 appropriate parties.

15 And I just said, fine, and it's not
16 my business.

17 And he and Sam Israel spoke a lot by
18 themselves and Sam Israel told me never to mention
19 the \$10 million to him and it was his business and
20 never to mention anything. And he was -- he was
21 in charge of, Sam Israel -- Sam Israel was and he
22 would be working with John Ellis on it. So I --
23 that was -- that was -- that was that.

24 Q At the second meeting, what if
25 anything did John Ellis say concerning the

Nichols

treasury instruments that you discussed at your first meeting with him?

A He said things to the effect that he had spoken to the correct parties and he and Sam could move ahead. I'm not saying specifically what he said. This is the way I interpreted it. And that they were comfortable with moving ahead, which is basically taking it out of my -- you know, if I could perform, taking it, you know, out of my particular area.

Q When you say you could "perform," what --

A Provide the four things because I would not take the money. I would not proceed until I -- John Ellis had had time to review the material, check with, you know, his cousin or whomever he was talking to and come back to Sam Israel and say this is a project that we're working on or whatever their relationship was, and Nichols is out of this, this is finished. If he does his job, he's out of it.

But, as I say very clearly, John Ellis at no time was the \$10 million mentioned around John Ellis, but John Ellis was very

Nichols

familiar with the project and I think as you move ahead here you know that.

Q So at the second meeting John Ellis told you that he had checked with somebody in the U.S. government and verified that the Chinese instruments were legitimate; is that correct?

A He said something to the effect that he had spoken with a colonel that had or someone in the DOD -- I remember Defense Department -- that had -- was sanctioned or had the clear answers to proceed with this and settle on it. And then it moves ahead. When you get to that point, then I will tell you what that was, so I'll wait.

Q Do you recall the name of the colonel?

A No.

Q What did you do after the second meeting to further the treasury instrument project that you were working on?

A Absolutely nothing. I was waiting to see what the results would be of this particular interaction with Mr. Ellis and Mr. Israel. Mr. Ellis could return and say this

Nichols

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2 is nonsense, this box is nonsense, these bills are
3 nonsense, the United States government never
4 printed a bill over \$10,000 and that would have
5 been the end of it.

6 Q Are you referring now doing
7 absolutely nothing between the first and second
8 meeting or after the first meeting with Ellis?

9 A I did absolutely nothing. To my
10 memory, I sat in Sam Israel's house and drove
11 around the children for the -- or whatever that
12 area is, Mount Kisco county side.

13 Q Again, are you referring to the
14 period between the first and second meeting with
15 Ellis or are you referring to a period after the
16 second meeting with Ellis?

17 A I am referring to the first and
18 second meeting an the second and third meeting
19 even maybe. It's just that I was waiting for Sam
20 Israel and John Ellis to come to some kind of
21 agreement of what they wanted to do. And that
22 would not be communicated to me by Mr. Ellis.
23 That would be communicated to me clearly by
24 Mr. Israel, so I did not want to sit there and
25 make, you know, any comment on what they were

Nichols

working on. I was just waiting to see what they had decided.

Q So you didn't receive the communication that you needed to move forward at the second meeting with Ellis?

A See, I can't insert something here because it's against your rules, but I'm saying at the second meeting they were continuing on; they were continuing discussions on the project. Then at a certain point Israel said everything to me is in order and now I want to proceed with the agreement.

And at that time, I had him sign when we -- you know, when we signed the thing we worked up, I told you the financial whatever in London, I typed something else with him and I said, let's work this out that you must contact the treasury or the United States, you know, officials from the United States because these matters are sensitive. And I said and you have read and understood this and he said, yes, and we signed that in a windowsill of his house because once he decided to go ahead I wanted to make sure that he understood it could be a sensitive matter.

Nichols

So if you're gonna discuss this, go talk to someone in the United States government. Don't just, you know --

Q But you didn't consider it part of your job to go talk to somebody N U.S. government; is that correct?

A Absolutely not.

Q Did you have a third meeting with Nichols before you entered into that agreement with Israel?

MR. BAINTON: You mean Ellis?

He's Nichols.

MR. ALBERTS: I'm sorry, allow me --

A I have occasional meetings with Nichols.

Q Did you have a third meeting with Ellis before you entered into that agreement that you just mentioned with Israel?

A I believe we did and I will just speed along here for you.

THE WITNESS: I'm sorry,

Martin.

A It was either at Ellis's office or

Nichols

at the house.

Q What if anything did you hear people say at that meeting that was related to your treasury instrument project?

A It's just that Sam Israel said to me everything is fine. John Ellis said -- I mean, whatever. He didn't tell me what he said. He said everything, he said to me, is in order and I want you to proceed with the project. Do we have an agreement? Do we have a deal?

I said, you want to pay that kind of money? You want to do it, I'll do it, that's it.

Q The agreement that you entered into, is that the same date as that third meeting with Ellis?

A It wasn't the same date. It was around the same date because once we signed the agreement I left the next day to London or I believe it was the next day. It was very shortly thereafter. I think it was the next day because I was proceeding with what my obligation was in the agreement.

Q Okay. Let me give you a document that will be Government's Exhibit 7. In fact, to

Nichols

be clear, this is a number of different documents.

(A multi-page document was marked as Government Exhibit No. 7 for identification, as of this date.)

Q Actually, could you give me that back --

A Do I have to read it all?

Q No, you don't. I'm going to refer you to a specific exhibit. I just thought it would be more convenient to use that. I want to specifically refer you to the document that appears behind the tab with label Exhibit 1 across the top of that page. It states, Financial and Security Consultancy Agreement. If you keep turning the page, there is a couple of more pages. You will get to the tab Exhibit 1.

THE VIDEOGRAPHER: We've got ten minutes of tape left.

A Yes.

Q Do you recognize that document?

A Yes.

Q What is it?

A I think it's a financial security agreement that we signed.

Nichols

Q And on the second page do you see two signatures?

A Yes.

Q Do you recognize those signatures?

A I recognize mine and I assume it's Sam Israel's.

Q Do you see at the end of the last paragraph it says, "Executed this 11th day of July 2004 at Bedford, New York, U.S.A"?

A Yes.

Q Is that accurate?

A Yes.

Q Could you look at the first page and in particular I want to call your attention to the first line of the second full paragraph where it says, "Whereas Israel is desirous of entering into certain buy/sell relationships."?

A Right.

Q What is a buy/sell relationship?

A You buy something and you sell it. And in this particular case where he is interested in buying, I guess, the -- well, this particular thing buy/sell riches would be buying instruments of whatever MTNs -- whatever security, you know,

Nichols

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and reselling them.

Q What is an MTN?

A A medium term note.

Q Can you explain to me what a medium term note is?

A I am using that as an example, but it would be a note, probably a ten-year note, from we'll say hypothetically a bank.

Q Did you on Mr. Israel's behalf help him buy any of these medium term notes?

A No.

Q Are you familiar with him having ever bought any medium term notes?

A I have documents that -- you know, that huge contract that he was going to buy medium term notes, but I don't know if he ever did anything, that he e-mailed me once that I had nothing to do with, but he e-mailed me a contract concerning MTNs.

Q You never signed any contracts that concerned MTNs?

A Not to my memory, unless it was witnessing a signature, but not as a principal or party of it.

Nichols

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Q You earlier mentioned HCAF and how you might get a commission through the HCAF?

A Correct.

Q Did the commission in any way relate to MTNs?

A You mean would I be paid in MTNs?

Q I mean the commission that you were going to receive, did that in any way relate to the purchase of MTNs through HCAF?

A I don't know the mechanics of it, but I would say it probably -- well, from my limited knowledge of how those -- that particular thing works on a buy/sell agreement that MTNs may be involved, may be short term notes, you know, other instruments, but bank instruments, I mean, are something of value, but I would probably say if I were to guess it would be MTNs because that's the buying and selling of MTNs, buying at the right and selling at the left, if you understand how that works. That's the only way it could work.

Q I don't understand how it works. Could you explain to me how it works?

A I can only explain to you how I

Nichols

think it works.

Q How do you think it works?

A Not how it works, how I think it works. If you take a company and an entity like we'll say hypothetically Pershing Trust and Pershing Trust has the ability to provide medium term notes at, say, 60 cents on the dollar or 60 percent of their value before they would go to market, and you have a party in the bank for national security reasons or whatever to help U.S. efforts internationally that has the clearances and authority to take those notes and exit them at market value or close to market, say, 80 percent, you would have, say, a 20 percent profit, so that would be a seasoned note.

Now, if it started at 21 percent and you exited every 20 -- every jump of 20, you're talking about basically buying and selling, acquiring and exiting the exit within a five or ten-minute period. So if you acquired the note click at 60 from whatever, let's say hypothetically it was a -- I don't know -- Paris bond note, Banque de Paris, and you exit it to Mitsubishi at 90, you see the profit. So the

Nichols

account would only be suspended for probably ten, 15 minutes for the transaction.

Q Can anybody go in and buy these MTNs?

A I imagine anyone could if you want to pay face value, 97 percent or something, you know, but I'm talking special conditions and I said hypothetically and I said I didn't know.

Q You mention special conditions. What are the special conditions?

A The special conditions, as I understand, if something like this exists, it means that it's cleared by an entity for national security reasons.

Q So only an entity that's cleared for national security reasons can participate in one of these MTN programs?

A I would say or they have to be the recipient of it.

Q The recipient of what?

A Of the major benefit of the action. In other words, you couldn't have a private party -- again, this is just my opinion -- you couldn't have a private party walk in and benefit

Nichols

1 like that, like Sam Israel was thinking he was
2 going to do. You would have to have -- in my
3 opinion, you would have to have the bulk of the
4 revenue off of that go to something that
5 underwrote U.S. interest and something important
6 to the national interest.
7

8 Q Could you give some examples of that
9 based on your experience?

10 A I can give you some examples, full
11 stop.

12 Q Okay. What are some examples, full
13 stop?

14 A You have problems with, let's say
15 hypothetically, in Pakistan with the core
16 commanders, you have nine core commanders. You
17 have problems in Wasserkasten and maybe three of
18 the core commanders are working with Musharraf and
19 they very much want to support your effort, U.S.
20 interest or U.S. policy. The other core
21 commanders would go along with this for various
22 reasons.

23 You take Ahmed Gul, the head of ISI,
24 which is their CIA or security. And Ahmed Gul
25 says, I want \$2 million and I will support the

Nichols

1 effort for the United States to be able to
2 over-fly us with crews and run, you know, drones
3 over the area for whatever. That \$2 million is
4 needed. How does it go through the process? It
5 needs to come from somewhere and it needs to come
6 quickly, and it could come hypothetically from a
7 program to accomplish an objective to save
8 American lives. Who's right, who's wrong, does it
9 exist or not, I don't know.

11 Q Did Sam Israel want to participate
12 in those kind of MTN programs?

13 A You're asking for my opinion?

14 Q I'm asking if you ever heard Israel
15 express that he wanted to participate in MTN
16 programs?

17 A I heard Israel say repeatedly that
18 he knew that people did this and he used George
19 Soros repeatedly as his example to me. And he was
20 told very clearly by Steven Hickock and others
21 there that anything, if it should exist or he
22 should participate in that, that he could look at
23 the majority of the funds going to support things
24 in our national interest, meaning the United
25 States and U.S. policy, period.

Nichols

Q Let's go back to this financial and security consultancy agreement again. In the second paragraph it says, "Israel is desirous of entering into certain buy/sell relationships in Europe and whereby he may purchase for himself as well as for select clients financial instruments which may include United States treasuries, bank medium term notes," and then it goes on.

Are these buy/sell relationships and bank medium term notes what you were just talking about the MTN programs?

A Well, MTN meaning you cannot have something generate the kind of capital required for our hypothetical we discussed without having the notes, so you would need fresh-cut notes probably if you are starting in the embryonic or genesis of the situation, from a prime bank. So we'll say hypothetically Bank of America, okay?

So then that bank, when those notes are cut, there is a difference from the cutting, we'll say hypothetically 21 percent, to where they hit the street, the, you know, brokers of the world, 92 percent 93 percent. In that period, they are moved up, bought, sold, but you need the

Nichols

exits, hypothetically, that will buy them. So you may need Royal Bank of Canada or Royal Bank of Scotland or Barclay's, Credit Agricole or UBS and so on, but if you move it up, you need a client like Israel, hypothetically, because that account is suspended for short periods of time while this process takes place, maybe ten, 15 minutes, because you already have this. You already have the entrance and the exit. That's all I understand. I don't know if there is any truth to it at all. It's just what I hear.

Q This agreement, you said you signed it on Sam Israel's windowsill, is that right?

A That's correct, in the bedroom. In, the bedroom I was staying in.

Q You said you wrote it up to protect your interest; is that right?

A We wrote it up in London and I said I wrote it up so what he was saying to me wouldn't change because I thought we'd get to New York, then all of a sudden things are going to change.

THE TRIAL OFFICER: I need to change the tape. The time is now 3:41. This marks the end of Tape

Nichols

Three. We're now off the record.

MR. BAINTON: Could we take
five minutes?

MR. ALBERTS: Sure,
absolutely.

(Whereupon, at 3:41 o'clock
p.m., a recess was taken to 3:57
o'clock p.m.)

(The deposition resumed with
all parties present.)

THE VIDEOGRAPHER: The time is
now 3:30. This marks the beginning of
Tape Four. We're now on the record.

MR. SIMONE: Three-thirty?

R O B E R T B . N I C H O L S , resumed and
testified further as follows:

Q You were just speaking to me about
MTNs and you mentioned that it's necessary to
participate in MTN that you have some sort of
humanitarian objective; is that accurate?

A Hypothetically, that's what I --
humanitarian?

Q Let me rephrase that. You mentioned
in order to participate in an MTN you have to have

Nichols

part of your program be furthering a United States interest; is that accurate?

MR. BAINTON: Objection.

A I said hypothetically that's how the system worked. I didn't say in order to participate in it.

Q Well, if that's how the system works, is it not a requirement?

A In our hypothetical?

Q No, based on your understanding from what you've heard.

A From what I've heard, it would need to hypothetically to further something important to the government. It couldn't be to make someone wealthy, for lack of a better way to put it, you know. Has to have some -- that's why I mentioned the thing -- what I was familiar -- what I was told it does and is managed back by one of places, one of the places, the Pershing Trust, and this is -- it's -- it is directed from these positions to further U.S. interests, but that's what I was told, what I've heard.

Q This financial and security consultancy agreement that we have been

Nichols

discussing, it mentions MTNs and it mentions in the fourth paragraph assistance to U.S. military veterans. Does it anywhere mention the silver certificates?

MR. BAINTON: Objection.

A No.

Q Does this agreement anywhere mention the treasury box?

A No.

Q Does it anywhere mention any aspect of the treasury instrument project that had the four components that we have been discussing?

A No. It mentions the buy/sell security situation. You buy something, you sell something. That's what it mentions. That's what he wanted it to say. That's what it said.

Q You said that you entered into this agreement to -- as a form of insurance; is that right?

A I said I entered into the -- I didn't enter into the agreement as a form of insurance. I said the agreement was drafted so that we were clear before traveling to New York on what the agreement basically was in very generic

Nichols

terms. He wanted a very general, generic, nothing specific agreement to proceed. And I said, fine, but I wanted to make sure that he wouldn't get to New York and say something different than what we said over there. So it was basically about the money he's paying because he wants me to accomplish four things for him.

I had protection on the other things he did, you know, long before this with -- meaning a month or two before, if he would have gone ahead with Barclay's Bank or whatever or Postbank or later ODL, I had separate protection agreements under that. This was for this particular business which was confidential and private to him.

Q Barclay's and ODL, those are different MTN projects?

A I do not know the mechanics of those projects at all. It's his field of expertise. He did not invite me to go to the meetings with ODL. I had a dinner with him once and, you know, spoke with him but, I mean, I did not participate in the business -- his business relationship with ODL.

Q You mentioned you already had protections --

Nichols

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2 A He gave me a five-percent fee
3 protection agreement of money that he -- five
4 percent of what his profits would be, he would pay
5 me as an individual.

6 Now, when you say, oh, this was
7 Bayou money, I see that that would have been a
8 valueless document, otherwise I would have needed
9 a protection agreement from Bayou.

10 Q So your understanding is that as the
11 profits were generated from the MTN program, you
12 would get a regular commission under this
13 protection agreement?

14 A Are we speaking at ODL -- what are
15 we speaking --

16 Q Let's discuss ODL. Is it your
17 understanding that ODL, as the MTN project went
18 forward, you would get a -- get a regular
19 commission as profits generated by the MTN?

20 A I don't know if it was an MTN
21 program. I said that's what I had heard. It may
22 have been other instruments that they traded in or
23 bought and sold. I do not know.

24 Q You had heard that it was MTN
25 instruments?

Nichols

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2 A No. I said that is what I am
3 familiar with. MTN-type transactions is my
4 example or my hypothetical. They could be buying
5 and selling treasury instruments of some kind,
6 gold certificates. I do not know. So when you
7 say to me, this MTN transaction this, this MTN
8 that, I don't know what instruments they will be
9 using. I was not privileged to any of that. I
10 was not at the meeting.

11 Q Did you know what kind of profits
12 Israel could expect to make from those programs?

13 A I've heard huge numbers, small to
14 huge, whatever. The only thing that I would say
15 to Israel or when he talked about it, I said, they
16 are huge amounts or this, I said, I don't know,
17 whatever, you know, I can't advise you or say
18 anything on that -- I won't say advice, comment,
19 no one eyes Israel. He is his own eye witness.
20 He is the boss of bosses and all that, so I said
21 to him, I would just say, keep your money under
22 your own signature. It's your account, your
23 money, so you can't lose anything. That was my
24 advice to him.

25 MR. BAINTON: Excuse me, Jeff.

Nichols

The ODL the thing he is talking about, the protection, that's a writing. Are we -- I mean, I don't want to interrupt you, but could we maybe put -- it's an agreement, it's in writing, what the terms of how much Mr. Nichols was going to be paid in respect of ODL profits. Do you want to use the exhibit?

MR. ALBERTS: Not right now.

Q The financial and security consultancy agreement you said you entered into in part so that Israel wouldn't change what he had originally said once he got back to New York, correct?

A That he would not modify the amount he offered for the four things he wanted done, correct.

Q How would you have used this agreement to keep him from changing the terms given that the agreement doesn't mention any of the four things that you were supposed to accomplish?

A I believe the agreement said you pay

Nichols

1 in a non-refundable amount, so I'm not sitting in
2 a position of jeopardy really, am I, if he's
3 paying me a non-refundable amount and I have to
4 comply. He's trusting me in essence and he did
5 trust me. I just can't remember if -- I cannot
6 remember if the box was provided to him before he
7 paid me or after. I believe that he had already
8 paid me when he received the box. The rest of it
9 he received that several weeks, but I cannot be
10 certain as to what the sequence was of me
11 fulfilling my obligation to him, but I fulfilled
12 it and he stated I did it correctly. And that was
13 back then.

14
15 Now, I mean --

16 Q Did in agreement require you to
17 locate any treasury instruments?

18 A No.

19 Q Did it require you to find a
20 treasury box?

21 A Not written, inferred to me. He
22 just wanted a general agreement for the \$10
23 million and he said, you'll do it?

24 I said, I'll do it, period. That's
25 it. I would not have proceeded with anything with

Nichols

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2 him that stated, you know, sensitive things, box
3 this, that, currency, never, but he said what he
4 wanted done. He said what he'd pay for it. I did
5 it and I invite the gentlemen over here, whatever,
6 you go do it. You go try and get one of the
7 boxes. Not you personally, but direct one of your
8 agents, go get one, go to China, go get the
9 currency. Walk into Switzerland. Kick the vault
10 door open. Tell them you want to see everything.

11 I mean, it gets me a little bit
12 because it's kind of inferred that this is just
13 something that was just simple, easy to do, and it
14 is just something that can -- basically anyone
15 could have done it.

16 Q This agreement mentions you serving
17 as a consultant to Israel for a period of five
18 years in the numbered paragraph one. For how long
19 did you serve as a consultant to Israel?

20 A The time I knew him and I'm still
21 available. I wrote him a letter. I said, if you
22 want my advice in something, I said, put it in
23 writing.

24 Q You're still serving as a consultant
25 to Israel?

Nichols

A I said I would be available for five years and I will. I will give him my advice. That's a consultant.

Q When was the last time you did anything, any consulting with him? Let me rephrase that.

When was the last time that you provided consultancy services to him?

A The last time I gave him an opinion on something was, I believe, a letter that I wrote him sometime in 2005 stating that what he -- I would like him to make any questions to me in writing what he would like me to do and I would respond or attempt to achieve or accomplish his request in accordance with the complexity of the question or the complexity of the requirement or what he wanted done.

Q When was that?

A I believe it was in 2005. I believe you have a copy of it.

Q When in 2005?

A Huh?

Q When in 2005?

A I don't know.

Nichols

Q After that time, did you ever provide him with any consultancy services?

A No. He hasn't asked for any.

Q In the same general government exhibit that I just gave you, can you turn the page to look at the document that's behind the Exhibit 2?

A Yes, I can.

Q That says Acknowledgment across the top?

A Exhibit 2, may I just take a half a second just to point at something here?

Q Sure.

A See this? See this?

MR. BAINTON: Uh-huh, uh-huh.

That's what he wants you to look at.

Q Do you recognize this document?

A Yes.

Q What is it?

A It's the document, the other one that he signed I told you that I asked him just so he was aware that there could be some sensitivity attached to his request.

And he inferred to me, not stated

Nichols

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2 firmly, but inferred, in other words,
3 non-definitive that he had -- he inferred he had
4 some other things connected with these
5 obligations, you know, like a couple of little
6 things or information or paper, so that's why it
7 says, you know, may or may whatever come into your
8 possession. I remember this very well. It says
9 right here, you know, that discuss with
10 credentialed authorities of the U.S. Treasury, the
11 U.S. Federal Reserve or authorized officials of
12 top tier banking institutions had decided it would
13 be wise to tell him whether he should speak with
14 the correct parties concerning this, right.

15 Q So you wrote this up?

16 A Yes, I did, with him. I mean, he
17 was there. I just said, I'd like something that
18 you understand what we're doing, together, right.

19 Q Were you present when he signed it?

20 A Yes, I was.

21 Q If the first paragraph, it says that
22 Robert Nichols has advised me in precise detail of
23 the possible -- has advised me in precise detail
24 of the possible liability and financial risk of my
25 disclosing confidential information pertaining to

Nichols

certain monetary instruments issued by the U.S. Treasury and the U.S. Federal Reserve.

A Right.

Q What was the possible liability and financial risk that you advised him of?

A I told him that I thought that it should be handled at the level that he claimed he was at and John Ellis said it should be at. I didn't think it should be handled at a low level of government. And the risk at a low level of government would mean you probably have the box confiscated they wouldn't understand. They don't have the clearances for this type of thing, so I believe you should deal at the highest level and that's where he said he was with Mr. Ellis.

Q What was the liability that you warned him of?

A The liability meaning financial risk of them taking some agent down here, no clearance, you know, secret or something and you got something up here at code word them taking confiscating, you know, his -- you know, his box, for lack of a better way to put it, or the instruments, right?

Nichols

See, I said that it must be very, very clearly discussed or it would best be discussed at the level that Mr. Ellis was at, at his altitude with his cousin, with the top.

Q Just to be clear, when you say Ellis's cousin, are you referring to the President of the United States?

A That's correct, or something, you know, in the executive. I wouldn't say necessarily the President. I'm saying, you know, or someone in the Executive Branch, you know, Condoleezza or someone, someone at the altitude to be able to say this is nonsense, this is legitimate, this is sensitive, you know, not speaking with someone, you know, the Mount Kisco office of whatever government.

Q So Cabinet level people?

A Cabinet level? Someone qualified and with access to the history, the heritage of an obligation that may exist, meaning someone at the Treasury level, Bernanke's altitude or more, Greenspan, something high enough up in the national security column that is familiar with this, preferably somebody in the Defense

Nichols

Department or the NSA. That's what I suggested. But it was only a suggestion for his benefit so that he would not have it confiscated. I'm saying to him, if I believe, speak to credentialed authorities of the U.S. treasury.

Q Let's look at the second paragraph. It says, "Mr. Nichols has explained to me in specific, understandable terms the tangible articles which have come into my possession within the last 12 months..." I am skimming text now... "could be considered sensitive and secret to certain government entities."

What tangible articles are being referred to here?

A Well, he said he had some things and he never elaborated on that. And I'm thinking of the box and, you know, this -- bills and things of that nature that he's asking me to provide.

Q Were these in his possession at that time?

A Not when he signed this, no.

Q So what were the specific, understandable terms that you used to explain things about the tangible articles that were

Nichols

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2 already in his possession?

3 A He said that he had things
4 pertaining to this project. I did not know what
5 they were. He did not share them with me. So I
6 just with him incorporated them in the body of the
7 text.

8 Q Okay. What about the other tangible
9 articles which may come into my possession, what
10 does that refer to?

11 A That refers to the box. That refers
12 to any -- if he should have proceeded into, you
13 know, the other instruments, the silver
14 certificates and things of that nature. All I'm
15 saying to him -- I'm being repetitive, sorry about
16 that -- is speak with credentialed authorities of
17 the United States Treasury or Federal Reserve or
18 authorized officials of top tier banking
19 institutions. The Federal reserve is owned by its
20 member banks so, I mean, by one of its member
21 banks.

22 Q Could you look within the same
23 government's exhibit a few pages down. There's a
24 page that says Exhibit 7. Could you look at the
25 document immediately behind Exhibit 7. It says

Nichols

the header RWA, ready, willing and able.

A Exhibit 7? It's inside Exhibit 7?

Q Right. It's right behind the piece of paper that says Exhibit 7.

A Yes.

Q Do you see the document I am referring to?

A Yes.

Q Do you recognize this document? Have you ever seen it before?

A I'm trying to see if I have. I don't remember it, if you're asking me, so I'm trying to see if there is something that will trigger a memory here because I don't -- I don't remember that. I know this, but I don't remember that.

Q Okay. Let's look at the next document within the same packet that's been marked Government Exhibit 7 --

MR. BAINTON: You mean the thing that says Listed Silver Certificates, is that what you're referring to?

MR. ALBERTS: The document

Nichols

right behind Exhibit 8.

MR. BAINTON: Okay.

Q Actually, it looks like behind Exhibit 8 there's one, two, three pages which it looks like maybe three separate documents. Do you recognize those three documents?

MR. BAINTON: On the wrong page.

THE WITNESS: I'm looking at this. That is a very strange thing that happened here.

MR. BAINTON: Next page.

THE WITNESS: I am old.

MR. BAINTON: We're now on Exhibit 8.

THE WITNESS: That's where I'm supposed to be, right?

Q So the page you are looking at and I believe the following two pages, do you recognize those documents?

A I have to be able to put my glasses on to see it.

Q Sure.

A I recognize it, but the name is

Nichols

redacted off of it.

Q What are these documents?

A This is from the security house.
This is like a safe-keeping receipt.

Q Do you know what was being kept?

A Well, here it says, Historic in
Suisse Deutsche. That's, you know, historic
documents that would be underwriting these
particular serial numbers where the origin and all
that. So, in other words, this is holding the
history of where these certificates came from.
That's the way I interpret it. I will put it that
way.

Q Have you ever seen these documents
before? Are you familiar with these documents?

A Yes, I've seen them before.

Q Just to be clear, this is all part
of a packet that was sent to us by their counsel,
I believe, Martin Simone.

A Well, then --

THE WITNESS: I'm just
teasing, Martin.

MR. SIMONE: Thank you.

THE WITNESS:

Nichols

A No, I never --

THE WITNESS: Don't do that.

Don't make your machine go.

Q Let's look at the first page --

A Oh, I'm sorry.

Q What is it a record of, the first page?

A It's a -- it refers to the historic documentation -- this is my interpretation -- I'm not Swiss -- of serial numbers and silver certificates and things of the like. And it's basically stating that the history is there because anything regarding this business, you have to have the lineage or the history. They call it the -- they call it the -- there is a word in Switzerland, but they call it the -- it will come to me hopefully today, but the second page refers precisely to it.

Q Precisely to what?

A It's a history -- it's the history documents. It's the history, the origin, where it came from, where -- you know, where the currency came from, how it came into whoever's possession, what -- these probably would be considered very

Nichols

sensitive by some.

Q You mean the documents that are being stored in the storage facility?

A Right. In other words, the way I interpret this is that the currency that we'll say silver certificates or whatever, that's the history of where they came from, how they -- you know, from their origin to this time.

Q You mean this document is the history or --

A No, inside the security vault this is a safe-keeping receipt for the history of the silver certificates.

Q Did you ever see the contents of any of these vaults that are referred to on these three pages?

A Vaults? Did you say vaults?

Q I did.

A I declined to go to them.

Q Did you ever see the contents of the vaults?

A No, because I didn't go there. I mean, I was asked -- I told you that earlier -- and I declined.

Nichols

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Q After --

A You don't want to know too much about things.

Q After Israel --

A Would you like to go?

Q To look at these vaults?

A Yes.

Q Let's move on. After Israel said for you to go ahead with the project, what did you do in order to go ahead with the project?

A Before I say -- answer that, may I point out one thing?

Q Sure.

A These also are historic documents, 45,000 kilos; you see that? That's a huge -- or 45 kilos. That's a lot of information on the history paid -- you know, these vaults cost a lot of money in Switzerland. If you get a shoe box, it cost 3,500 a year. So, I mean -- and you're dealing with voluminous areas, so it would be interesting to hold a bunch of confetti, you know, worthless stuff -- I'm sorry -- for hundreds of thousands of dollars. You know, I mean --

Q Before we move on, how did you

Nichols

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acquire these documents, these three pages?

A I got them from Wilhelm Teekman.

Q When did you get them from Wilhelm Teekman?

A I don't recall the exact date, but discussions started with him right after I met Sam Israel.

Q Did you get these documents before you had your third meeting with Ellis?

A I don't believe so, no, I didn't because I was still in New York and I had to go back to Europe, to my memory.

Q So you previously mentioned that after Israel gave you the go ahead to go forward with the project --

A Yes.

Q -- the next day you flew to Europe; is that correct?

A Once we signed the agreement in New York, I didn't fly to Europe. I flew to the U.K.

Q Okay.

A I flew to London.

Q Okay. And what did you do in London?

Nichols

A Well, ultimately, I gave Israel the box, stage one of the four things the box, but I had to get current locations on the parties, you know, to negotiate the box and proceed there.

Q So how did you do that? Before we move on, I kind of want to take it step by step so I don't get too confused. When you first went to London, you said the first thing you did was locate the box; is that right?

A I had access to the box.

Q How did you obtain access to the box?

A It was in my vault or in one of my lock-ups.

Q How did it get to be in one of your lock-ups?

A I put it there.

Q When had you put it there?

A Probably four months before I was investigating it. That's why I said it was uncanny to me that Israel was interested in this because I didn't mention it to him. He mentioned it to me, but --

Q Did the box have the treasury

Nichols

certificates inside it that Israel had been asking you to get?

A I never opened the box. I have never opened the box and that I made very clear to Israel. It could have the Shanghai phone book in it for all I knew. He wanted a sealed box from the Chinese. I provided the box and he wanted the parties to negotiate with on the box. I believe you have the picture of it and I provided that. And then it was the currency in Switzerland, he wanted that and he wanted who to negotiate that with. That took a little longer.

Q When he wanted you to do four things, two of those things were to locate the box and obtain the box?

A Right.

Q And coincidentally you had already done both of those things before --

A He didn't know I had access to the box, that's correct.

Q Coincidentally, you already had it in your possession, so --

A Well, kind of, yeah. I had access to it.

Nichols

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Q Was it in your locker?

A It was, but also -- yes, it was in my locker.

Q So when he hired you, it happened you had already accomplished two of the things he was hiring you to do?

A I had accomplished one. I hadn't accomplished the location of the principal, principal to negotiate the boxes.

Q No, to negotiate the boxes?

A A pinnacle, but I mean a person with full authority.

Q What is negotiating a box?

A Pardon me? To negotiate the settlement on it. You know, how much on the dollar and this and that as Ellis said that they wanted to -- that they were authorized to negotiate at eight cents on the dollar.

Q You mean find somebody to sell the box to?

A I wasn't selling the box to anyone.

Q When you say negotiate the box, what do you mean?

A To negotiate the settlement of the

Nichols

boxes. We're not speaking here of one box. We're speaking of one box with regard to your particular undertaking. They were interested in multiple boxes, probably a hundred boxes.

Q They meaning Bayou?

A Meaning -- Bayou didn't have anything to do with this. I'm talking Sam Israel and John Ellis.

Q Oh, Sam Israel and John Ellis, okay.

A And they wanted to have access to the boxes, plural, in this series.

Q So John Ellis was actually a partner in this enterprise with Israel; was that your understanding?

A He was not a financial partner to my understanding because Israel told me not to mention the money he paid me, but they were partners in pursuing the box, the treasury relationship or treasury redemption or whatever you want to call it, multiple boxes. This was not about one box; this was about many boxes.

Q Did you ever find any other boxes?

A They are available. I mean, they're

Nichols

there.

Q They're where?

A I would say in the hands of the same people that provided the first one.

Q When you say I would say that, would you say that because it's true?

A Well, I don't know for sure. I'm just simply speculating. You know, I imagine they are under the custody of those that say they own them.

Q But you don't know?

A I wouldn't bet -- I wouldn't bet your life on it.

Q What did you do --

A I just don't know how to answer the question. I would not know where they are, but I think I know. Is that a fair answer?

Q Sure.

A Okay.

Q After you landed in London -- let's step back. Was anyone traveling with you to London?

A Israel traveled to London with me.

Q Anyone else?

Nichols

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A No.

Q Did you show Israel the box?

A Not then, after a couple of days, I think two days or something.

Q As part of that same trip to London?

A Yes.

Q Other than show him the box, what else did you do in furtherance of the treasury instrument project that you were engaged in on his behalf?

A When you say show him the box, he took possession of the box, Israel, so I didn't just show him the box. He took possession of the box.

Q You gave him the box?

A That's correct. That was stage one. And then I told him I would have the names for him to speak to very shortly or as quickly as I could which possibly took a couple of weeks which I provided him. And I told him I would get the currency copies, which I was just looking at here, and they -- I did that, and I told him I would try and get him a note to -- which was not part of the agreement, incidentally, but I would. And Wilhelm

Nichols

Teekman provided the note and I said I would get him access to the vaults, if he had the relationship or how to negotiate it with the correct U.S. officials. That's what I did, period.

Q Had Israel asked you to get that specific box that you gave him?

A No. He said a hundred -- he wanted the hundred million series because there's boxes that say all kinds of different figures on them. And the hundred million dollars are the ones that he believes and I must say I also believed that those are legitimate boxes despite the you said.

Q But there's other --

A No disrespect, I mean --

Q There is other boxes that have other series that you think are illegitimate?

A I know they are illegitimate from the Chinese. I have looked at them. I've seen them and they have been made clear to me they are illegitimate. They're false.

Q But the Chinese, somebody from the Maiwah --

A In other Chinese -- their

Nichols

intelligence is not so flawed that they don't know what's this and that, you know. There are many boxes out there that are false in the Philippines and China and lacquer and pretty eagles on them and all kinds of things. I mean, I've been through all this in files to familiarize myself with them.

Q Do you have any of those files?

A You mean can I -- do I have access?

Q Do you have them in any of your properties?

A No.

Q Do you have them in your custody anywhere in the world?

A Not to my knowledge.

Q How did you get access to them previously?

A I asked parties that allowed me access.

Q Who?

A Can't recall the names at the time. Probably Swiss, someone in Switzerland, bankers, something of that nature.

Q After you arrived in London, what

Nichols

was the first thing that you did in relation to the treasury instrument project?

MR. BAINTON: Objection.

A When I arrived in London on what date?

Q We just talked about a trip that you took with --

A You mean Sam Israel, when I arrived in London?

Q Yes.

A What's the first thing I DID concerning --

Q In furtherance of the treasury instrument project.

A That would be a day or two or something like that would go by and -- I showed him the box and transferred it to him as stage one of the first step of the agreement.

Q Before that was there anything that you did in connection with the project?

A When I was in London prior to going to New York, I had met probably the next day Teekman flew to London to discuss with me and I said there may be a possibility there is someone

Nichols

here that maybe helpful to you in the settlement of your situation for, you know, the government.

Q That was the conversation that we talked about earlier, correct?

A Yes, but that's before I went to New York.

Q I understand. After you gave the treasury box to Israel, did you do anything else on this -- while you were in London in furtherance of the treasury instrument project?

MR. BAINTON: Objection.

A I spoke to quite a few people about it. I just mentioned Angelina Wei, Tansri Teong. I said if it worked out, you know, I would compensate, you know, some of the people that coordinated it with something, you know -- you know, I can't remember specifically what I did is the answer to your question.

Q Did these things happen while you were in London on this trip?

A I don't know if they happened precisely then because I went on to Germany with him and then I returned which a lot more took place when I returned with regard to my speaking

Nichols

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2 to people. So I don't know if it happened right
3 then or I went to Germany because he asked me to
4 go to Germany with him to Postbank or -- yeah,
5 Hamburg. And when I came back, I had more
6 discussions on it with other parties, so I don't
7 know the sequence or the timing that well now.

8 Q Do you understand when I refer to
9 the treasury instrument project I am talking about
10 those four goals that you had talked about before?

11 A Yes.

12 Q The project to accomplish the four
13 goals?

14 A Right.

15 Q When you went to -- you just
16 mentioned you traveled from London to Germany.
17 When you were in Germany, do you recall the first
18 thing that you did to accomplish the treasury
19 instrument project goals?

20 MR. BAINTON: Objection.

21 A Say that again exactly, last words
22 of that.

23 Q When you traveled from London to
24 Germany after you arrived in Germany, what was the
25 first thing that you did in order to accomplish

Nichols

the goals of the treasury instrument project that we have been discussing?

MR. BAINTON: Objection.

A I don't know if it was then. I believe it was then, but I can't be certain that that is when he had -- he discussed it possibly with Ingo Passoth, but I don't know. I can't be sure.

Q To clear things up, after you arrived in Germany on that trip from London, did you do anything in furtherance of the treasury instrument project?

A Not then I don't believe I did, because it was -- I was in Germany. He asked me to go over there because he said his back hurt and all of his back pain and he was going to speak with Passoth, the director of the bank, about his business. And he had a meeting at the airport, I think -- I think he had a meeting at the airport with a regional manager of Deutsche Postbank, but I don't recall anything that was specific on the -- I just don't recall anything concerning the project.

Q How long were you in Germany?

Nichols

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A One day, two days max.

Q Where did you go after that?

A Where did I go or where did he go?

Q Where did you go?

A I went back to London, I believe.

Q Did you do anything once you were back in London in furtherance of the treasury instrument project?

A I might have gone to Zurich. I can't be certain.

Q You don't know whether you went from Germany to London or from Germany to Zurich?

A I could have gone from Germany to Zurich or I could have gone back to London and to Zurich. I can't be sure.

Q Do you know that you went to both London and Zurich as part of this general trip before you came back to the United States?

A I'm 99 per -- I'm almost certain I did, yeah.

Q After you left Germany, what was the next thing that you did in furtherance of the treasury instrument project we have been discussing?

Nichols

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2 A The next thing I left -- he asked me
3 to go to Zurich on something, wanted to buy
4 bullion. It had nothing to do, but he wanted to
5 buy bullion, I believe, and I don't know if I went
6 there then to arrange meetings for him to buy
7 bullion. I cannot recall. So your question is
8 what did I do next that would not really be the
9 project, but while I was in Zurich I may have
10 spoken with Teekman or people regarding access to
11 the security areas if he were to, you know,
12 proceed with the project, you know, carry on. So
13 it's so overlapping, it's very difficult for me to
14 untangle the time for you and I want to do it
15 properly, but I just can't recall precisely the
16 sequence of what took place.

17 Q But at some point while you were in
18 Europe on this trip you did speak to Teekman about
19 getting access to the vaults; is that correct?

20 A That's correct.

21 Q After --

22 A I spoke to Teekman many times about
23 the vaults or multiple times about the vaults in
24 getting access because you just can't walk in and
25 do that. That has to be arranged. These are not